

Diagnostic CORP of America
Form 8-K
December 06, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): November 30, 2006

DIAGNOSTIC CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

Delaware
**(State or other
jurisdiction
of incorporation)**

000-50155
**(Commission File
Number)**

02-0563302
**(IRS Employer
Identification No.)**

21-Jia Bei Si Dong Road, Tie Xi Qu
Shen Yang, P. R. China.
(Address of principal executive offices)

Registrant's telephone number, including area code: (8624) 2560-9750

N/A
(Former name or former address, if changed since last report)

Copies to:
Greentree Financial Group, Inc.

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This Current Report on Form 8-K is filed by Diagnostic Corp. of America, a Delaware corporation (the "Registrant" or the "Company"), in connection with the items set forth below.

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On November 15, 2006, the Registrant and predecessor of the Registrant, executed a Plan of Exchange (the "Agreement"), between and among the Registrant, Liaoning Neng Fa Weiye Pipe Network Construction and Operation Co. Ltd., a corporation organized and existing under the laws of the Peoples' Republic of China ("Neng Fa"), the shareholders of Neng Fa (the "Neng Fa Shareholders") and Li Gang, our President and Director ("Mr. Li"). An executed copy of the Agreement is attached hereto as Exhibit 10.1.

Pursuant to the terms of the Agreement, Registrant would acquire 100% of the capital stock of Neng Fa in exchange for the issuance by Registrant of 12,000,000 new shares of Common Stock to Neng Fa, which will give Neng Fa a 'controlling interest' in Registrant representing approximately 89.4% of the issued and outstanding shares. Neng Fa will not convert these shares for one year but shall be allowed to use them towards a shareholder vote. The transaction will immediately close upon the approval of the Board of Directors of Registrant and Neng Fa, respectively. Upon completion of the exchange, Neng Fa will be a 100% owned subsidiary of Registrant, and Registrant will cease all of its current remaining operations and will adopt and implement the business plan of Neng Fa.

Closing of the Plan of Exchange

Pursuant to and at the closing of the Agreement, the Registrant authorized its transfer agent, to issue to the Neng Fa Shareholders, 12,000,000 shares of common stock of the Registrant pursuant to Regulation S under the Securities Act of 1933, as amended, or approximately 89.4% of Registrant's then outstanding common stock, in exchange for a 100% interest in Neng Fa owned by the Neng Fa Shareholders. Upon completion of the physical exchange of the share certificates, Neng Fa will be a 100% owned subsidiary of the Registrant.

As previously reported, the Agreement contemplated that the exchange transaction would immediately close upon the approval of the Board of Directors of Registrant and Neng Fa, respectively. The approvals of the Board of Directors of Registrant and Neng Fa, respectively, were received on November 30, 2006, and the Registrant, Neng Fa, the Neng Fa Shareholders and Mr. Li declared the exchange transaction consummated on November 30, 2006.

The Registrant currently has 1,427,328 issued and outstanding shares of common stock (the new 12,000,000 new investment shares are not included) that trade on the Over-The-Counter Bulletin Board under the symbol "DGNA".

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

The financial statements of Neng Fa presented in this Form 8-K emphasize that Neng Fa is a young company with relatively limited exposure in valve manufacture, design, production and sale. Neng Fa works with a variety of industrial valve components, which are widely used in water supplies and sewage systems, coal and gas fields, power generation stations, and petroleum and chemistry industries. Neng Fa currently operates a manufacturing and distribution facility in Tieling City, Liaoning Province, in the Peoples' Republic of China. In addition, Neng Fa provides engineering and technical services to its customers.

It is however important to note that although Neng Fa was just established on February 8, 2006 as a limited liability company, Neng Fa was formed in contemplation of the consummation of a reverse merger transaction with a publicly traded company in the United States. This transaction structure was adopted because Chinese counsel to Neng Fa advised that the laws and policies of the P. R. China would not permit a similar domestic transaction thus an alternative approach would have to be sought out. Accordingly, despite Neng Fa's short existence, in actuality, Neng

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Fa inherited the same plant and equipment and business from Nengfa Weiye Tieling Femen Co., Ltd (“Nengfa Weiye”), a limited liability company registered in the P. R. China. On February 8, 2006, Nengfa Weiye entered into an assets disposal agreement with 3 P.R. China residents: Mr. Li Gang, Mr. Heng Li and Miss. Wang Li Hua. Thereafter, they formed Neng Fa and injected the plant and equipment into Neng Fa at their net book values in exchange for a note payable to the company owners.

As required by Item 9.01(a) of Form 8-K and the pro forma financial information required by Item 9.01(b) of Form 8-K, the Registrant provided the financial statements of Neng Fa, in reliance of Items 9.01(a)(4) and 9.01(b)(2), respectively.

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ITEM 9.01(a) - FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

The following audited financial statements of Neng Fa prepared by Zhong Yi (Hong Kong) C.P.A. Company Limited are set forth below: (i) balance sheet; (ii) statement of operations; (iii) statement of cash flows; (iv) statement of equity for the periods from February 8, 2006 (inception) to September 30, 2006; and (v) the notes to the financial statements of said periods.

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ZHONG YI (HONG KONG) C.P.A. COMPANY LIMITED

Certified Public Accountants

**LIAONING NENGFA WEIYE PIPE NETWORK CONSTRUCTION
AND OPERATION CO., LTD.**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Owners of
Liaoning Nengfa Weiye Pipe Network Construction And Operation Co., Ltd.

We have audited the accompanying balance sheet of Liaoning Nengfa Weiye Pipe Network Construction And Operation Co., Ltd. (“the Company”) as of September 30, 2006 and the related statement of operations, owners’ equity and comprehensive income, and cash flows for the period from February 8, 2006 (Inception) to September 30, 2006. The financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liaoning Nengfa Weiye Pipe Network Construction And Operation Co., Ltd. as of September 30, 2006 and the results of operations and cash flows for the period from February 8, 2006 (Inception) to September 30, 2006 and in conformity with accounting principles generally accepted in the United States of America.

/s/ Zhong Yi (Hong Kong) C.P.A. Company Limited
Zhong Yi (Hong Kong) C.P.A. Company Limited
Certified Public Accountants

Hong Kong, China
November 21, 2006

**LIAONING NENGFA WEIYE PIPE NETWORK CONSTRUCTION
AND OPERATION CO., LTD.
BALANCE SHEET
AS OF SEPTEMBER 30, 2006
(Currency expressed in United States Dollars (“US\$”))**

September 30,
2006

ASSETS

Current assets:

Cash and cash equivalents	\$	40,324
Accounts receivable		2,590,120
Inventories		1,496,896
Prepaid expenses and other current assets		189,797

Total current assets		4,317,137
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Plant and equipment, net		2,227,353
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TOTAL ASSETS	\$	6,544,490
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LIABILITIES AND OWNERS' EQUITY

Current liabilities:

Accounts payable	\$	1,050,563
Other payables and accrued liabilities		142,144
Income tax payables		323,755
Value added tax payables		3,619

Total current liabilities		1,520,081
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Non-current liability:

Loan due to owners		4,240,506
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TOTAL LIABILITIES		5,760,587
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Owners' equity:

Registered capital of Renminbi Yuan 1,000,000 (US\$124,370) fully paid in 2006		124,370
Statutory reserve		129,984
Accumulated other comprehensive income		9,616
Retained earnings		519,933

Total owners' equity		783,903
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TOTAL LIABILITIES AND OWNERS' EQUITY	\$	6,544,490
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See accompanying notes to financial statements.

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**LIAONING NENGFA WEIYE PIPE NETWORK CONSTRUCTION
AND OPERATION CO., LTD.
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE PERIOD FROM FEBRUARY 8, 2006
(INCEPTION) TO SEPTEMBER 30, 2006
(Currency expressed in United States Dollars (“US\$”))**

From inception on February 8, 2006
through September 30,
2006

OPERATING REVENUES:	
Products	\$ 2,941,640
Service	1,040,213
Total operating revenues	3,981,853
COST OF REVENUES:	
Cost of products	2,108,195
Cost of service	733,467
Total cost of revenues	2,841,662
GROSS PROFIT	1,140,191
OPERATING EXPENSES:	
General and administrative	171,791
INCOME FROM OPERATIONS	968,400
OTHER INCOME:	
Other income	1,270
Interest income	355
Total other income	1,625
INCOME BEFORE INCOME TAXES	970,025
Income tax expense	(320,108)
NET INCOME	\$ 649,917

See accompanying notes to financial statements.

**LIAONING NENGFA WEIYE PIPE NETWORK CONSTRUCTION
AND OPERATION CO., LTD.
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM FEBRUARY 8, 2006
(INCEPTION) TO SEPTEMBER 30, 2006
(Currency expressed in United States Dollars (“US\$”))**

From inception on February 8, 2006
through September 30,
2006

Cash flows from operating activities:

Net income	\$	649,917
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation		130,365
Changes in current assets and liabilities:		
Accounts receivable		(2,590,120)
Inventories		(1,496,896)
Prepaid expenses and other current assets		(189,797)
Accounts payable		